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ACTION EAP-00

INFO	LOG-00	NP-00	AID-00	CEA-01	CIAE-00	COME-00	CTME-00
	DODE-00	ITCE-00	DOT-00	SRPP-00	EB-00	EXME-00	E-00
	FAAE-00	FBIE-00	UTED-00	VC-00	FRB-00	H-01	TEDE-00
	INR-00	ITC-01	L-00	VCE-00	AC-01	NSAE-00	NSCE-00
	OES-01	OMB-01	OPIC-01	PC-01	ACE-00	SP-00	STR-00
	TEST-00	TRSE-00	USIE-00	DRL-02	G-00	NFAT-00	SAS-00
	/010W						

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FM AMCONSUL HO CHI MINH CITY
TO SECSTATE WASHDC PRIORITY 5708
INFO AMEMBASSY HANOI

UNCLAS SECTION 01 OF 02 HO CHI MINH CITY 001302

SIPDIS

E.O. 12958: N/A

TAGS: [EAID](#) [ECON](#) [ETRD](#) [VM](#) [SOE](#) [BTA](#)

SUBJECT: HCMC DEPT. OF TRADE LOVES BTA, BUT WHAT IS IT EXACTLY?

SUMMARY

1. THE DIRECTOR OF THE HO CHI MINH CITY (HCMC) TRADE DEPT. TOLD CG YAMAUCHI IN A NOVEMBER 13 COURTESY CALL THAT HCMC HAS HIGH HOPES FOR THE BILATERAL TRADE AGREEMENT (BTA), BUT IS LOOKING FOR A WAY TO BETTER UNDERSTAND THE TREATY AND HOW TO IMPLEMENT IT. SHE
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SAID SHE WANTED TO WORK WITH THE CONSULATE AND AMCHAM TO SHARE INFORMATION ABOUT THE BTA WITH LOCAL BUSINESS, SO THEY WOULD BE ABLE TO TAKE ADVANTAGE OF THE BTA. EVEN THOUGH HER DEPARTMENT CONTROLS A NUMBER OF STATE-OWNED ENTERPRISES (SOES), THE DIRECTOR CLAIMED THAT THE PRIVATE SECTOR WAS VITAL TO THE LOCAL ECONOMY AND WOULD GENERATE MUCH OF THE EXPORT GROWTH TO BE REALIZED THROUGH THE BTA. EQUITIZATION OF SOES WOULD CONTINUE, BUT IT IS A SLOW PROCESS. END SUMMARY.

BTA A HIT IN HCMC, BUT DO WE UNDERSTAND IT?

2. CG YAMAUCHI, ACCOMPANIED BY ECONOFF, PAID A NOVEMBER 13 COURTESY CALL ON MS. PHAM THI KIM HONG, DIRECTOR OF THE HO CHI MINH CITY DEPARTMENT OF TRADE. IN THIS MEETING MS. HONG ADDED HER VOICE TO THE CHORUS OF LOCAL BUSINESSPEOPLE AND GOVERNMENT OFFICIALS WHO SEE THE BILATERAL TRADE AGREEMENT AS A NEW STARTING POINT FOR VIETNAM - U.S. RELATIONS AND AN EXTRAORDINARY OPPORTUNITY FOR LOCAL BUSINESS. THIS WAS PARTICULARLY IMPORTANT, SHE SAID, TO HCMC, WHICH GENERATES ROUGHLY 40% OF VIETNAM'S EXPORT TURNOVER. LIKE MANY, HOWEVER, SHE EXPRESSED CONCERN THAT THE TREATY WAS COMPLEX AND ITS DETAILS LARGELY UNKNOWN TO THE GROUPS OF PEOPLE HERE - BOTH IN GOVERNMENT AND IN BUSINESS - WHO MUST IMPLEMENT AND MONITOR ITS PROVISIONS. SHE URGED THE CG TO ESTABLISH STRONG LINES OF COMMUNICATION AND COOPERATION WITH LOCAL AUTHORITIES AND BUSINESS GROUPS TO SEE THAT BTA IMPLEMENTATION IS A SUCCESS.

3. THE DIRECTOR STRESSED THAT THE DEPARTMENT OF TRADE
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WAS WORKING HARD TO PROVIDE INFORMATION AND ASSISTANCE TO BUSINESSES IN HCMC REGARDING BOTH DOMESTIC AND INTERNATIONAL TRADE. THE BTA WAS A PARTICULAR CHALLENGE, BECAUSE OF THE LACK OF DIGESTIBLE, PRACTICAL INFORMATION, BUT IT HAS GENERATED AN ENORMOUS AMOUNT OF INTEREST. THE TRADE DEPARTMENT RECENTLY HELD A SEMINAR ON THE BTA THAT WAS VASTLY OVERSUBSCRIBED BY BUSINESSPEOPLE EAGER TO UNDERSTAND ITS PROVISIONS. NOT ONLY WAS THE BTA DIFFICULT TO UNDERSTAND, DIRECTOR HONG SAID, BUT SINCE MOST VIETNAMESE BUSINESSES DO NOT YET HAVE EXPERIENCE IN THE U.S. MARKET, THEY WOULD HAVE TO RELY ON MIDDLEMEN TO GET THEIR PRODUCT TO EXPORT. BUSINESSES WANTED TO FIND WAYS TO WORK MORE DIRECTLY WITH U.S. CUSTOMERS.

4. MS. HONG SUGGESTED THAT HER DEPARTMENT WORK CLOSELY WITH THE CONSULATE AND AMCHAM TO PROVIDE MORE INFORMATION ABOUT THE BTA AND HOW TO TRANSLATE IT INTO

ACTION. SHE WANTED TO DISTILL THE TREATY INTO SIMPLER LANGUAGE THAT LOCAL OFFICIALS AND BUSINESS PEOPLE COULD UNDERSTAND. SHE POINTED TO AN UPCOMING SEAFOOD SEMINAR THAT AMCHAM IS HOSTING LATER THIS MONTH AS AN IDEAL EXAMPLE OF WHAT VIETNAMESE BUSINESSES ARE LOOKING FOR. (NOTE: THE CONGEN WILL BE DELIVERING OPENING REMARKS AT THIS SEMINAR.)

15. CG ASKED IF A SMALL WORKING GROUP COMPOSED OF THE CONSULATE, THE DEPARTMENT OF TRADE, AND PERHAPS AMCHAM WOULD BE HELPFUL IN DISCUSSING BTA ISSUES AT THE LOCAL LEVEL, SHARING INFORMATION AND NEEDS. THE DIRECTOR AGREED, AND SAID SHE WOULD DISCUSS THIS IDEA WITH HER

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STAFF.

THE PRIVATE SECTOR'S VITAL ROLE

16. THE DIRECTOR STRESSED THAT EVEN THOUGH THERE WERE MANY POWERFUL STATE-OWNED ENTERPRISES IN HCMC, SOME OF WHICH WERE UNDER THE DIRECT CONTROL OF HER DEPARTMENT, THE DEPARTMENT DID NOT DISCRIMINATE IN FAVOR OF THESE SOES. IN MS. HONG'S VIEW, THE PRIVATE SECTOR WOULD GENERATE MUCH OF THE GROWTH AS A RESULT OF BTA IMPLEMENTATION. WHEN ECONOFF ASKED IF IT WERE CORRECT THAT THE VAST MAJORITY OF EXPORTS FROM HCMC WERE IN FACT FROM SOES, MS. HONG NOTED THAT ACCORDING TO OFFICIAL STATISTICS THAT WAS INDEED CORRECT. HOWEVER, SHE DOUBTED THEIR ACCURACY. IT WAS DIFFICULT TO MEASURE THE TRUE VALUE OF PRIVATE SECTOR PRODUCTION AND EXPORTS, SHE STATED. SHE ALSO NOTED THAT MANY SMALL PRIVATE SECTOR BUSINESSES EXPORT VIA SOES WHICH MAY DISTORT THE STATISTICS.

17. CURRENTLY THE U.S. MARKET ONLY TAKES ABOUT 17% OF HCMC'S EXPORT TURNOVER. MS. HONG ANTICIPATES THAT WITH THE BTA THIS SHARE WILL GROW DRAMATICALLY, MOSTLY WITH EXPORTS FROM THE PRIVATE SECTOR. SHE HIGHLIGHTED FOOTWEAR, GARMENTS, AND SEAFOOD AS PARTICULARLY IMPORTANT EXPORT PRODUCTS FOR THE REGION. SHE FURTHER STATED THAT SINCE MANY MAJOR U.S. COMPANIES HAVE A PRESENCE IN HCMC, IMPORTS FROM THE U.S. SHOULD ALSO INCREASE DRAMATICALLY.

EQUITIZING SOES TAKES TIME

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18. CG INQUIRED ABOUT THE HCMC GOVERNMENT'S PLANS TO EQUITIZE MOST OF THE COMPANIES COMPRISING SAIGON TRADING CORPORATION, OR SATRA, WHICH IS AN SOE MANAGED BY THE HCMC DEPARTMENT OF TRADE. SATRA CONSISTS OF 23 AFFILIATES, 3 JOINT STOCK COMPANIES, AND 3 JOINT VENTURES, AND EMPLOYS ABOUT 19,000 PEOPLE. ACCORDING TO RECENT PRESS REPORTS, THE CITY WILL EQUITIZE 17 AFFILIATES OVER THE NEXT FOUR YEARS. DIRECTOR HONG INDICATED, HOWEVER, THAT ALTHOUGH EQUITIZATION WAS A GOAL AND INCORPORATED INTO AN OVERALL PLAN, IN REALITY IT WOULD NOT OCCUR QUICKLY. THIS WAS DUE TO SOME OF THE AFFILIATES AND PROBLEMS WITH CERTAIN INDIVIDUALS WORKING TO BLOCK THIS INITIATIVE. SHE DID POINT OUT IT WAS A PRIORITY FOR THE DEPARTMENT, AND THAT IN THE PAST IT HAD MANAGED 50-60 SOES, MANY OF WHICH HAD ALREADY BEEN SPUN OFF. ALTHOUGH THE CITY WOULD STILL WANT TO RETAIN CONTROL OF KEY SECTORS SUCH AS ELECTRICITY, IT WAS COMMITTED TO EQUITIZING OTHER SOES UNDER ITS CONTROL.

19. EVEN THOUGH THE DEPARTMENT STILL CONTROLS A NUMBER OF SOES, DIRECTOR HONG STRESSED THAT THE TRADE DEPARTMENT WAS WORKING TO ENCOURAGE THE PRIVATE SECTOR TO PARTICIPATE IN ITS TRADE PROMOTION ACTIVITIES. SHE NOTED THAT THE MAJORITY OF PARTICIPANTS IN LAST MONTH'S HCMC EXPO WERE PRIVATE COMPANIES. IN ORDER FOR THE CITY TO DEVELOP, THE PRIVATE SECTOR MUST PLAY A VITAL ROLE, SHE SAID.

CONDOLENCES

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10. AT THE CLOSE OF THE MEETING, THE DIRECTOR STATED THAT SHE WAS AWARE OF THE PLANE CRASH IN NEW YORK THAT HAD HAPPENED THE DAY BEFORE. SHE EXTENDED HER CONDOLENCES TO THE U.S. AND TO THE FAMILIES OF THE VICTIMS. CG THANKED HER AND STATED THAT EVEN IN THIS DIFFICULT PERIOD, THE U.S. WAS A RESILIENT NATION AND THAT WE STILL WANTED TO WORK HARD WITH VIETNAM ON BUILDING A STRONG RELATIONSHIP.

COMMENT

11. MS. HONG IS A DYNAMIC INTERLOCUTOR AND THERE WAS NO MISTAKING HER PLEAS FOR ASSISTANCE. SHE REALIZES THAT THE BTA IS A REAL OPPORTUNITY FOR HCMC, BUT SHE ALSO KNOWS THAT UNLESS LOCAL OFFICIALS AND BUSINESS PEOPLE ARE ABLE TO UNDERSTAND THE TREATY'S PROVISIONS AND ACT UPON THEM, THIS OPPORTUNITY WILL PASS THEM BY.

12. MS. HONG IS COMPLETING HER FOURTH YEAR AS THE DIRECTOR OF THE HCMC DEPARTMENT OF TRADE, AND CLEARLY DOES NOT WANT HCMC TO BE OUTSHONE AS VIETNAM'S PRE-EMINENT COMMERCIAL ENGINE. SHE WANTS THE CONGEN AS AN ALLY. OF THE SEVERAL COURTESY CALLS THE CG HAS MADE ON LOCAL OFFICIALS, MS. HONG IS THE FIRST PERSON WHO HAS SO EXPLICITLY STATED HER CONCERNS ABOUT HCMC'S ABILITY TO MEET PEOPLE'S EXPECTATIONS OF THE BTA. POST WILL BE LOOKING TO REGULARIZE COMMUNICATION WITH THE DEPARTMENT OF TRADE ON BTA ISSUES AND ENSURE THEY ARE INCLUDED IN ALL RELEVANT TRAINING PROGRAMS AND SEMINARS.

YAMAUCHI

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